

AMENDED IN ASSEMBLY APRIL 19, 2007

AMENDED IN ASSEMBLY APRIL 12, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 1652

Introduced by Assembly Member Lieber

February 23, 2007

An act to add Section ~~17052.21~~ to the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy ~~69431.3~~ to the Education Code, relating to student financial aid.

LEGISLATIVE COUNSEL'S DIGEST

AB 1652, as amended, Lieber. ~~Income taxes; credits; school performance incentives.~~ *Student financial aid.*

Existing law establishes the University of California, the California State University, the California Community Colleges, and the private and independent colleges and universities as the 4 segments of postsecondary education in this state. Existing law establishes the Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education. Under existing law, the commission, among other things, administers the Cal Grant Program.

This bill would express legislative findings and declarations and intent relating to standards of ethical behavior for student financial aid personnel at California colleges and universities.

The bill would require the Legislative Analyst's Office to report to the Assembly Committee on Higher Education and the Senate Committee on Education by January 31, 2008, summarizing specified allegations

made by the New York Attorney General regarding student financial aid personnel in that state. The bill would require the Legislative Analyst's Office to provide background on these issues, reviewing the proposed legislation now pending in the State of New York for possible relevance to the State of California, and including material on prescribed topics.

The bill would request representatives of the California student financial aid and lending communities, separately or together, to report to the Assembly Committee on Higher Education and the Senate Committee on Education by January 31, 2008, on the ethical standards that are currently in place, additional standards that should be instituted, and the extent to which state law should be amended to mandate these standards, including any recommendations for disclosure requirements and enforcement mechanisms.

The bill would require, as a condition for the participation of a qualifying institution, as defined, in the Cal Grant Program, the prohibition of the acceptance of any gifts, as defined, worth more than \$50 in any calendar year by any employee, administrator, or trustee of the institution with direct or line responsibility for student financial aid programs or activities from any person or entity doing business with, or seeking a business relationship with, that institution in any matter related to student financial aid programs.

~~The Personal Income Tax Law authorizes various credits against the taxes imposed by that law.~~

~~This bill would, for each taxable year beginning on and after January 1, 2008, authorize a credit against those taxes for a qualified professional, as defined, who volunteers to provide instruction at a low-performing public elementary or secondary school. This bill would also require the State Board of Education, on or before January 1, 2013, to report to the Legislature regarding the effectiveness of this tax credit in recruiting qualified professionals to volunteer to teach in low-performing schools.~~

~~The Quality Education Investment Act of 2006 authorizes school districts and other local educational agencies to apply to the Superintendent of Public Instruction to receive funding to allocate to schools that are ranked in either decile 1 or 2 on the 2005 Academic Performance Index, as provided.~~

~~This bill would state the intent of the Legislature to make the necessary statutory changes to provide moneys derived under the Quality~~

~~Education Investment Act of 2006 to low-performing schools that improve their performance.~~

~~This bill would impose a state-mandated local program by requiring school districts to determine which professions are eligible for the exemption, as specified, to notify a qualified professional of his or her volunteer educator credit installment, as defined, and to notify the Franchise Tax Board of these determinations and notifications.~~

~~The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.~~

~~This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.~~

~~This bill would take effect immediately as a tax levy.~~

~~Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes-no.~~

The people of the State of California do enact as follows:

- 1 *SECTION 1. The Legislature finds and declares all of the*
- 2 *following:*
- 3 *(a) California higher education students rely heavily on student*
- 4 *loans to finance their education. These students must receive the*
- 5 *highest quality service delivered in a framework of ethical*
- 6 *standards of behavior and business conduct.*
- 7 *(b) Recent investigations by the Attorney General of New York*
- 8 *and news reports reveal serious allegations of improper activity*
- 9 *on the part of student loan lenders and college and university*
- 10 *administrators, including some in California.*
- 11 *(c) The New York Attorney General's investigations and the*
- 12 *news reports are cause for significant concern, but many facts are*
- 13 *as yet unknown.*
- 14 *SEC. 2. (a) It is the intent of the Legislature that the act that*
- 15 *adds Section 69431.3 to the Education Code should establish a*
- 16 *minimum standard of ethical behavior for student financial aid*
- 17 *personnel at California colleges and universities and that it provide*
- 18 *for the gathering and analysis of further information to guide the*
- 19 *Legislature's further actions on the crucial subject of ethical*
- 20 *standards in all California public and independent institutions of*

1 *higher education, both to correct any abuses and to dispel any*
2 *unfair stigmatization of honest and ethical personnel of higher*
3 *education and lending institutions.*

4 *(b) The Legislative Analyst's Office (LAO) shall report to the*
5 *Assembly Committee on Higher Education and the Senate*
6 *Committee on Education by January 31, 2008, summarizing the*
7 *allegations made by the New York Attorney General, providing*
8 *background on these issues, reviewing the proposed legislation*
9 *now pending in the State of New York for possible relevance to*
10 *the State of California, including, but not necessarily limited to,*
11 *possible restrictions on revenue sharing, gifts and travel, consultant*
12 *fees, travel reimbursement guidelines, "preferred lender"*
13 *guidelines, issues surround high-risk loans and appropriate*
14 *restrictions on conflict of interest for college employees and*
15 *governing boards, and providing any other information the LAO*
16 *may deem relevant to advise the Legislature on the possible need*
17 *for additional action in this matter.*

18 *(c) The Legislature requests that representatives of the*
19 *California student financial aid and lending communities,*
20 *separately or together, report to the Assembly Committee on*
21 *Higher Education and the Senate Committee on Education by*
22 *January 31, 2008, on the ethical standards that are currently in*
23 *place, additional standards that should be instituted, and the extent*
24 *to which state law should be amended to mandate these standards,*
25 *including any recommendations for disclosure requirements and*
26 *enforcement mechanisms.*

27 *SEC. 3. Section 69431.3 is added to the Education Code, to*
28 *read:*

29 *69431.3. (a) Notwithstanding any other provision of law, as*
30 *a condition for the participation of a qualifying institution in the*
31 *Cal Grant Program, each employee, administrator, or trustee of*
32 *the institution with direct or line responsibility for student financial*
33 *aid programs or activities is prohibited from accepting gifts worth*
34 *in excess of fifty dollars (\$50) per calendar year from any person*
35 *or entity doing business with, or seeking a business relationship*
36 *with, that institution in any matter related to student financial aid*
37 *programs.*

38 *(b) In implementing this section, the commission shall consult*
39 *with the student financial aid community and appropriately amend*
40 *the Cal Grant Institutional Participation Agreement.*

(c) (1) As used in this section, “gift” means any discount, favor, gratuity, inducement, loan, stock, thing of value, or other item having a monetary value of more than ten dollars (\$10). As used in this section, “gift” includes, but is not necessarily limited to, any of the following:

(A) Any money, service, loan, entertainment, honorarium, hospitality, lodging cost, meal, registration fee, travel expense, discount, forbearance, or promise.

(B) An item provided in kind, by purchase of a ticket, payment in advance, or reimbursement after expense has been incurred.

(C) Any computer hardware or software for which the recipient pays less than the fair market value.

(D) Any printing costs or services.

(2) As used in this section, “gift” does not include either of the following:

(A) A lending institution’s own brochure or promotional literature.

(B) Food, beverages, training, or informational material furnished to an employee or officer to whom this section is applicable as an integral part of a training session, if the governing body of the segment finds that the training contributes to the professional development of that employee.

~~SECTION 1. Section 17052.21 is added to the Revenue and Taxation Code, to read:~~

~~17052.21. (a) For each taxable year beginning on or after January 1, 2008, there shall be allowed as a credit against the “net tax,” as defined in Section 17039, of a qualified professional an amount equal to the volunteer educator credit.~~

~~(b) For purposes of this section, all of the following apply:~~

~~(1) (A) “Qualified professional” means a person who volunteered, without pay from a school district, to provide instruction that is supplemental to the curriculum of a course at a low-performing elementary or secondary school and who meets at least one of the following criteria:~~

~~(i) The person is employed by a public agency or a public benefit corporation.~~

~~(ii) The person is licensed under the Business and Professions Code to engage in a particular trade or business.~~

~~(iii) The person is licensed to own a business in this state.~~

1 ~~(B) The governing body of each school district shall do all of~~
2 ~~the following:~~

3 ~~(i) Determine the professions within that district in which a~~
4 ~~qualified professional may be employed to be eligible for the credit.~~
5 ~~The governing body shall base these determinations on the~~
6 ~~projected skills necessary for pupils in the district to improve their~~
7 ~~academic performance.~~

8 ~~(ii) Notify each qualified professional of the amount of his or~~
9 ~~her volunteer educator credit installment.~~

10 ~~(iii) Notify the Franchise Tax Board of the determinations made~~
11 ~~under clause (i) and each notification made under clause (ii).~~

12 ~~(2) “Volunteer educator credit installment” means an amount~~
13 ~~equal to the average pay that a teacher in the school district in~~
14 ~~which the qualified person volunteered would have received for~~
15 ~~the time the qualified professional provided instruction.~~

16 ~~(3) “Volunteer educator credit” means the total sum of volunteer~~
17 ~~educator credit installments earned by a qualified professional~~
18 ~~during the taxable year.~~

19 ~~(e) In the case where the credit allowed by this section exceeds~~
20 ~~the “net tax,” the excess may be carried over to reduce the “net~~
21 ~~tax” in the following year, and succeeding years if necessary, until~~
22 ~~the credit is exhausted.~~

23 ~~(d) Notwithstanding Section 7550.5 of the Government Code,~~
24 ~~on or before January 1, 2013, the State Board of Education shall~~
25 ~~report to the Legislature regarding the effectiveness of the tax~~
26 ~~credit provided by this section in recruiting qualified professionals~~
27 ~~to volunteer to teach in low-performing schools.~~

28 ~~SEC. 2. It is the intent of the Legislature to make the necessary~~
29 ~~statutory changes to provide moneys derived under the Quality~~
30 ~~Education Investment Act of 2006 (Article 3.7 (commencing with~~
31 ~~Section 52055.700) of Chapter 6.1 of Part 28 of Division 4 of Title~~
32 ~~2 of the Education Code) to low-performing schools that improve~~
33 ~~their performance.~~

34 ~~SEC. 3. If the Commission on State Mandates determines that~~
35 ~~this act contains costs mandated by the state, reimbursement to~~
36 ~~local agencies and school districts for those costs shall be made~~
37 ~~pursuant to Part 7 (commencing with Section 17500) of Division~~
38 ~~4 of Title 2 of the Government Code.~~

1 ~~SEC. 4. This act provides for a tax levy within the meaning of~~
2 ~~Article IV of the Constitution and shall go into immediate effect.~~

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